

Case No. 2014-00020

ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
ADAIR COUNTY WATER DISTRICT

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TRANSCRIPT OF PROCEEDINGS

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KENTUCKY INFRASTRUCTURE
AUTHORITY

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and Adair County Water District (the "Governmental Agency"), dated as of April 1, 2014

1. Opinion of Counsel to the Governmental Agency.
2. General Closing Certificate of the Governmental Agency.
3. Assistance Agreement.
4. Resolution of the Governmental Agency authorizing the Assistance Agreement.
5. Extract of Minutes of the Meeting of the Board of Commissioners adopting Resolution authorizing Assistance Agreement.
6. Extract of Minutes of the Authority authorizing the Assistance Agreement.
7. Commitment Letter, including Credit Analysis.

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May 8, 2014

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Adair
County Water District, dated as of April 1, 2014.

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Adair County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any

law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

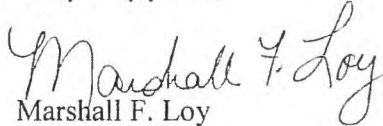
6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefore, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,


Marshall F. Loy

Attorney

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Adair County Water District (the "Governmental Agency"), dated as of April 1, 2014

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

In connection with the above-captioned Assistance Agreement (the "Assistance Agreement"), the Governmental Agency, through its undersigned duly authorized officer hereby certifies, represents, warrants and covenants as follows:

1. No event of default exists, or with the passage of time will exist, under the Assistance Agreement and the representations and warranties set forth in the Assistance Agreement are true and correct as of the date hereof.

2. The Governmental Agency has examined and is familiar with proceedings of the governing body of the Governmental Agency approving the Assistance Agreement and authorizing its negotiation, execution and delivery and such proceedings were duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such proceedings are in full force and effect and have not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

3. The Governmental Agency is a duly organized and validly existing political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement and consummate the transactions contemplated thereby.

4. The negotiation, execution and delivery of the Assistance Agreement by the Governmental Agency and the consummation of the transactions contemplated thereby by the Governmental Agency have been duly authorized by all requisite action of the governing body of the Governmental Agency.

5. The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

6. There is no controversy or litigation of any nature pending, or to the knowledge of the Governmental Agency after diligent inquiry, threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under the Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of the Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of the Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of the

Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with the Assistance Agreement.

7. The authorization and delivery of the Assistance Agreement and the consummation of the transactions contemplated thereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

8. All actions taken by the Governmental Agency in connection with the Assistance Agreement and the loan described therein and the Project, as defined in the Assistance Agreement, have been in full compliance with the provisions of the Kentucky Open Meetings Law, KRS 61.805 to 61.850.

9. The Governmental Agency has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project and to enter into the Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Governmental Agency Project, and has full right, power and authority to perform the acts and things as provided for in the Assistance Agreement.

10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

WITNESS our signatures, this 8th day of May, 2014.

**GOVERNMENTAL AGENCY:
ADAIR COUNTY WATER DISTRICT**

By: Robert Flowers
Name: Robert Flowers
Title: Chairman

Attest:
By: Buddy Higginbotham
Name: Buddy Higginbotham
Title: Secretary

85068v1

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F12-04
BORROWER: Adair County Water District
BORROWER'S ADDRESS: 109 Grant Lane
PO Box 567
Columbia, Kentucky 42728
DATE OF ASSISTANCE AGREEMENT: April 1, 2014
CFDA NO.: 66.458

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AUTHORITY

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

WITNESSETH

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998 (the "Federal Agreement") under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of February 1, 2000 (the "Indenture") between the Authority and National City Bank of Kentucky (the "Trustee") in order to provide the "match funding" for the Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to finance the acquisition and construction of the Project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained to repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more specifically provided; and

WHEREAS, the Authority and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the acquisition, construction and financing of the Project and the repayment of the Loan and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"*Act*" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"*Administrative Fee*" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

"*Architects*" means the firm of consulting architects employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*Assistance Agreement*" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"*Authority*" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"*Bond*" or "*Bonds*" or "*Revenue Bonds*" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"*Business Day*" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

"*Cabinet*" means the Natural Resources and Environmental Protection Cabinet of the Commonwealth.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"*Commonwealth*" shall mean the Commonwealth of Kentucky.

"*Construction*" shall mean construction as defined in the Act.

"*Debt Obligations*" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance

Agreement or issued in the future in accordance with the terms hereof, payable from the income and revenues of the System.

"*Drinking Water Supply Project*" shall mean the planning, design and construction of drinking water treatment and distribution systems, including expenditures to address Federal Act health goals, or to address situations where compliance standards have been exceeded or to prevent future violations of rules, and may further include drinking water treatment plants, including basins for rapid mix, flocculation, coagulation, filtration, pre-treatment disinfection, and disinfection prior to entry to the distribution system; distribution systems; storage tanks; intake lines and short-term water storage; clearwells; drilled wells and wellhead areas; and any other structure or facility considered necessary by the Natural Resources Cabinet of the Commonwealth of Kentucky to the efficient and sanitary operation of a public water system and complies with the requirements of the Federal Act.

"*Engineers*" means the firm of consulting engineers employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*Federal Act*" shall mean the Federal Safe Drinking Water Act, as amended, 42 U.S.C. Section 1401, et seq.

"*Governmental Agency*" shall mean any incorporated city or municipal corporation, or other agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate infrastructure projects, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"*Indenture*" shall mean the General Trust Indenture dated as of February 1, 2000 between the Authority and the Trustee.

"*Interagency Agreement*" means the Memorandum of Understanding dated as of July 1, 1999 between the Authority and the Cabinet, as the same may be amended or supplemented from time to time.

"*Loan*" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the Construction of the Project.

"*Loan Rate*" means the rate of interest identified in the Schedule of Payments.

"*Person*" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"*Program*" shall mean the program authorized by KRS 224A.1115 and the Indenture as the "federally assisted drinking water revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"*Project*" shall mean, when used generally, a Drinking Water Supply Project, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

"*Project Specifics*" means those specific details of the Project identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

"*Requisition for Funds*" means the form attached hereto as Exhibit B to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Authority as the Construction of the Project progresses.

"*Resolution*" means the resolution of the Governmental Agency attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

"*Schedule of Payments*" means the principal and interest requirements of the Loan as set forth in Exhibit F hereto, to be established and agreed to upon or prior to the completion of the Project.

"*Schedule of Service Charges*" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C hereto from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority

"*Service Charges*" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the System, which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charges shall be no less than those set forth in the Schedule of Service Charges.

"*System*" shall mean the water system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and the Federal Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit E hereto.

(J) The Governmental Agency is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project.

(K) Project is consistent with the water supply plan developed pursuant to 401 KAR 4:220 for the county in which the Governmental Agency is located.

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Drinking Water Supply Project under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable semiannually, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; and shall be subject to the further requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Prepay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable

from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

(A) That the Authority and the Cabinet and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority or the Cabinet, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to examine and inspect the Project.

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of the Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by either the lump-sum (fixed price) or unit price contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Cabinet.

(G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Cabinet and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government, respectively, in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority and the Cabinet, acting by and through their duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(S) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(T) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Cabinet, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(U) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority and the Cabinet the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect.

(V) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.

(W) The Governmental Agency covenants that the Project is comprised of improvements constituting green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That no more than fifty percent (50%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the final plan for operation for the Project.

(F) That no more than ninety percent (90%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the draft operations and maintenance manual.

(G) That final disbursement will not be allowed until approval by the Cabinet of a final operations and maintenance manual.

(H) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience;

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel; and

(3) Advice as to whether the Project is meeting the Project performance standards (including three quarterly reports and one project performance report).

(I) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(J) That one year after operation is initiated, it shall certify to the Cabinet and the Authority that the Project is capable of meeting the Project performance standards.

(K) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(L) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(M) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(N) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the planning and design of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the planning and design of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the planning and design of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The Contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan.

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the

Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

Section 6.10. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) 40 CFR 35.3580 (and Appendix A to Subpart L) – NEPA – Like State Environmental Review Process
- (d) Environmental Justice, Executive Order 12898
- (e) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (f) Protection of Wetlands, Executive Order 11990
- (g) Farmland Protection Policy Act, Pub. L. 97-98
- (h) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (i) National Historic Preservation Act of 1966, PL 89-665, as amended
- (j) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (k) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432
- (g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

- (a) KRS 151
- (b) KRS 224
- (c) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (d) KRS Chapter 337, Labor Laws
- (e) 401 KAR Chapter 8

Section 6.12. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which the System is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.5. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.6. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.7. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.10. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.11. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has

complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments specified herein at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing (other than an event of default arising under Section 6.13 of this Assistance Agreement), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments, to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.10 hereof shall be those remedies specifically set forth in Section 6.10 hereof

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

Jeff Abshier
SECRETARY
Title: _____

By: [Signature]
EXECUTIVE DIRECTOR
Title: _____

ATTEST:

**GOVERNMENTAL AGENCY:
ADAIR COUNTY WATER DISTRICT**

[Signature]
Title: Secretary

By: [Signature]
Title: Chairman

APPROVED:

EXAMINED:

[Signature]
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

[Signature], a division of [Signature]
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

APPROVED AS TO FORM AND LEGALITY

[Signature]
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
ADAIR COUNTY WATER DISTRICT DBA COLUMBIA / ADAIR UTILITIES DISTRICT
PROJECT SPECIFICS
F12-04

GOVERNMENTAL AGENCY:

Name: Adair County Water District dba Columbia / Adair Utilities District
109 Grant Lane, PO Box 567
Columbia, Kentucky 42728

Contact

Person: Robert Flowers
Chairman

SYSTEM: Water

PROJECT:

This project consists of the installation of approximately 5,400 linear feet (LF) of eight inch and 38,000 LF of six inch waterline to replace existing undersized and asbestos-cement water lines in the Tutt Street Area, the Longhunters Subdivision in the KY Highway 80 East Area and other areas in downtown Columbia. The waterline replacements will affect approximately 1,200 existing customers of which approximately 420 will also have their meters replaced with radio read meters.

PROJECT BUDGET:

	<u>Total</u>
Legal Expenses	30,000
Engineering Fees - Design	239,000
Engineering Fees - Const / Inspection	131,000
Engineering Fees - Other	30,000
Construction	3,243,800
Contingency	326,200
Total	\$ 4,000,000

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 4,000,000	100%
Total	\$ 4,000,000	100%

KIA DEBT SERVICE:

Construction Loan	\$ 4,000,000
Less: Principal Forgiveness (35%)	1,400,000
Amortized Loan Amount	\$ 2,600,000
Interest Rate	0.75%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 96,944
Administrative Fee (0.25%)	6,500
Total Estimated Annual Debt Service	\$ 103,444

KIA (F06-01)	3,794,878	2028	Commission
KIA (F10-02, \$1.694M)	1,679,765	2031	Commission
Interim Financing - Local Bank	963,759	TBD	Commission
KIA (F10-01, \$4.0M)	0	2032	District
KIA (F11-10, \$0.9M)	0	TBD	District
Rural Development ({F11-10}, \$0.595M)	0	TBD	District
Rural Development ({F10-02}, \$1.2M)	0	TBD	Commission
Total	\$ 21,420,247		

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>\$10,000</u>
Death or Personal Injury (per occurrence)	<u>\$3,000,000</u>
Property Damage on System	<u>\$3,000,000</u>

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED APRIL 1, 2014
LOAN NO. F12-04

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Copy sent to: Branch Manager
Water Infrastructure Branch
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

FROM: ADAIR COUNTY WATER DISTRICT (the "Governmental Agency")

Gentlemen:

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of drinking water supply facilities, described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling \$ _____.

Documentation supporting the expenses incurred and identified per this request are attached.

ELIGIBLE PROJECT EXPENSES INCURRED

<u>Contractor</u>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
-------------------	----------------------------------	-----------------------------

Total

ALLOCATION OF FUNDING FOR EXPENSES

<u>Funding Source</u>	<u>Portion of Expenses this Request</u>	<u>Portion of Expenses Total to Date</u>
-----------------------	---	--

Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

<u>Funding Source</u>	<u>Amount of Payment or Requisition</u>	<u>Date of Payment or Requisition</u>
-----------------------	---	---

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Architect

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

FOR Entire Service Area
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 1

CANCELLING P.S.C. KY. NO.

 SHEET NO.

Adair County Water District
(Name of Utility)

RATES AND CHARGES

Monthly Water Rates

5/8 x 3/4 Inch Meter

First	2,000	Gallons	\$ 19.90	Minimum Bill
Next	3,000	Gallons	7.00	Per 1,000 Gallons
Next	5,000	Gallons	6.25	Per 1,000 Gallons
Next	15,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

1 Inch Meter

First	5,000	Gallons	\$ 40.90	Minimum Bill
Next	5,000	Gallons	6.25	Per 1,000 Gallons
Next	15,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

1 1/2 Inch Meter

First	10,000	Gallons	\$ 72.15	Minimum Bill
Next	15,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

2 Inch Meter

First	16,000	Gallons	\$ 103.35	Minimum Bill
Next	9,000	Gallons	5.20	Per 1,000 Gallons
All Over	25,000	Gallons	4.45	Per 1,000 Gallons

DATE OF ISSUE February 3, 2012
Month / Date / Year

DATE EFFECTIVE February 3, 2012
Month / Date / Year

ISSUED BY Danny Down
(Signature of Officer)

TITLE CHAIRMAN

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO 2012-00018 DATED 2-3-12

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <u>Brent Kirkley</u>
EFFECTIVE 2/3/2012 PURSUANT TO 807 KAR 5-011 SECTION 9 (1)

FOR Entire Service Area
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 1
CANCELLING P.S.C. KY. NO. _____

Adair County Water District
(Name of Utility)

_____ SHEET NO. _____

RATES AND CHARGES

MONTHLY SEWER RATES

Minimum Bill \$ 4.00 No Usage
All Usage \$ 4.10 per 1,000 gallons
(based on water
meter reading)

TAP FEE*

Residential \$ 500.00
Multi-unit Residential \$ 500.00 per unit
Mobile Home Park \$ 500.00 per lot
Commercial and Industrial Actual cost of installation

*Assumes distance from sewer collector line to customer's property line is 100 feet or less. Customer shall pay actual cost of installation for all footage over 100 feet based on cost per foot.

DEPOSIT None

DATE OF ISSUE July 21, 2011
Month / Date / Year

DATE EFFECTIVE July 21, 2011
Month / Date / Year

ISSUED BY *Dorothy K. ...*
(Signature of Officer)

TITLE CHAIRMAN

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. N/A DATED N/A

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent ...</i>
EFFECTIVE 7/21/2011 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

Nonrecurring Charges

	Current	New
Tap Fee	\$ 400.00	\$ 600.00
Deposits	\$ 30.00	\$ 50.00
Connection/Turn On Fee	\$ 15.00	\$ 30.00
Connection/Turn On Fee (After Hours)	\$ 35.00	\$ 50.00
Meter Test Charge	\$ 17.50	\$ 50.00
Re-Connection Charge	\$ 15.00	\$ 30.00
Re-Connection Charge (After Hours)	\$ 35.00	\$ 50.00
Service Call/Investigation Charge	\$ 25.00	\$ 30.00
Service Call/Investigation Charge (After Hours)	\$ 30.00	\$ 50.00
Meter Reading Re-check Charge	\$ 25.00	\$ 30.00
Meter Reading Re-check Charge (After Hours)	\$ 25.00	\$ 50.00
Reinstallation Charge	\$ 30.00	\$ 30.00
Reinstallation Charge (After Hours)	\$ 50.00	\$ 50.00
Returned Check Charge	\$ 16.00	\$ 25.00

EXHIBIT D

RESOLUTION

RESOLUTION OF THE ADAIR COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF APRIL 1, 2014 BETWEEN THE ADAIR COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Adair County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water System (the "Project") and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of April 1, 2014 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Adair County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.

SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on _____, 2014.

Chairman

Attest:

Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Adair County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said District at a meeting duly held on _____, 2014; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2014.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Adair County Water District, dated as of April 1, 2014

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Adair County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
ADAIR COUNTY WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ _____

Principal and Interest Payable
on Each June 1 and December 1

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

KENTUCKY INFRASTRUCTURE AUTHORITY

By: _____

Title: _____

**ADAIR COUNTY WATER DISTRICT, Governmental
Agency**

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

85065v1

RESOLUTION

RESOLUTION OF THE ADAIR COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF APRIL 1, 2014 BETWEEN THE ADAIR COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

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WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of April 1, 2014 (the "Assistance Agreement") with the Authority.

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SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

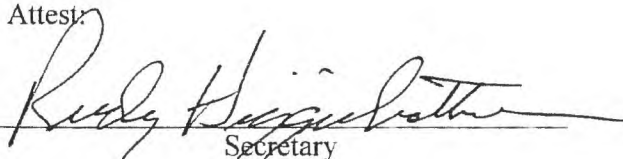
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on May 8, 2014.



Chairman

Attest:



Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Adair County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said District at a meeting duly held on May 8, 2014; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.823; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 8th day of May, 2014.

Secretary

85066v1

**Columbia/Adair Utilities District
Minutes of Regular Meeting
Of the Board of Commissioners**

May 8, 2014

Chairman Robert Flowers called the meeting to order at 6:00 p.m. Commissioners present were Rudy Higginbotham, Barry Stotts, Tim Baker and David Jones. Press present Ed Waggener from Columbia Magazine. Others Present were Engineers David Bowles, Attorney Marshall Loy. Staff present at the meeting included; General Manager Lenny Stone and Office Manager Jennifer Carter.

Approval of Minutes: After reviewing the minutes for the April 10, 2014 regular meeting a motion was made by Commissioner Tim Baker to accept the minutes as presented which was seconded by Commissioner Barry Stotts and passed unanimously.

Approval of Bills: Discussion on Bills by Commissioner Tim Baker regarding Fouser Bills he asked if we were getting the discount for sampling. General Manager Lenny Stone replied by saying we are getting the discount on water samples, but not sewer samples at this time until we have our employees trained on the sewer sampling which is more detailed than water sampling. Commissioner Baker asked about the charges for Truck 14 Ford Explorer. General Manager Stone explained that the truck had to have a new transmission and other items. Commissioner Rudy Higginbotham made a motion approving the monthly bills for April and the Open Invoices for May and gave authorization for General Manger and Office Manager to sign the checks for the month which was seconded by Commissioner David Jones and passed unanimously.

Phase 14 (Downtown) Project: General Manager Stone let the Board know that Stotts Construction has started construction on Phase 1 this week. They started behind Save-A-Lot and will continue down that alley and on to the connection of Fortune Street and continue onto Jamestown Street. They had a good week so far and haven't had any problems. The next progress meeting is scheduled for May 21, 2014 at 12:00 p.m.

General Manager Stone let the Board know that we have received the paperwork for the KIA portion of the funding for this project. He discussed we have to adopt a resolution and sign the assistance agreement. Commissioner David Jones made a motion adopting a resolution approving the Assistance Agreement with KIA which was seconded by Commissioner Tim Baker and unanimously passed. Commissioner Tim Baker made a motion authorizing Chairman and Secretary to sign the Resolution and Assistance Agreement which was seconded by Commissioner David Jones and unanimously passed. Commissioner David Jones made a motion for Chairman and Secretary to sign any and all paperwork regarding this project which was seconded by Commissioner Tim Baker and unanimously passed.

Phase 15 (River Crossing) Project: General Manager Stone let the Board know that Caldwell Tank has finished painting the tank and lettering is also on the tank. They are ready for grade

work and cleanup of the property. Startup of the pump station is scheduled for May 20, 2014. David Bowles with Monarch Engineering has contacted someone he knows about installing the telemetry with the OPTO 22 that we already have in our system. The next progress meeting is scheduled for May 21, 2014 at 11:30 A.M

Phase 16 (EDA Sewer) Project: General Manager Stone let the Board know bids were opened on April 23, 2014. The project was bid in three contracts with Contract 1 being Wastewater treatment plant improvements, Belt Press addition, Contract 2 being Sewer System improvements sewage lift station Upgrades & Improvements and Contract 3 being Water System Improvements, Improvements to Lindsey Wilson Tank. Contract 1 low bidder was Cleary Construction with a bid of \$1, 688,000, Contract 2 low bidder was Cumberland Pipeline with a bid of \$599,903 and Contract 3 low bidder was Caldwell Tank with a bid of \$307,250. The bids came in higher than anticipated so we came up short on funding by \$750,000. EDA has agreed to give an additional \$600,000 in Grant funds and Engineer David Bowles contacted Rural Development who agreed to add the additional \$150,000 in loan. Rural Development will have a 30 day approval period for the funds. Engineer David Bowles said the higher bids were a result of higher electrical prices and the security of hand rails to meet OSHA standards because of the extended period for the project the prices were higher than two years ago when the original cost estimate was established.

General Manager Stone explained we need a motion to accept the bids and one to approve the additional funding. Commissioner Barry Stotts made a motion to accept the bids as recommended by Monarch Engineering and seconded by Commissioner David Jones and unanimously passed. Commissioner Rudy Higginbotham made a motion to approve the additional funding provided by EDA Grant for \$600,000 and Rural Development loan for \$150,000 which was seconded by Commissioner Tim Baker and unanimously passed.

Phase 17 (Sewer) Project: General Manager Stone let the Board know Cleary Construction has finished the stabilization of the creek and after changing crews they have not finished the stabilization of the hill side. They have contracted with Danny Pyles to finish the job. Mr. Pyles has requested a pre-construction meeting one day next week so he can get started with the project on May 19, 2014. The next progress meeting is scheduled for May 21, 2014 at 11:00 a.m.

Cane Valley Sewer Project: General Manager Stone reported we are waiting for Mr. Ben Arnold property owner to sign the paperwork he has been out of town.

Office Report: Office Manager Jennifer Carter presented the office report for April with the number of customers cut off, number of meters turned on and off and collections for the month. She then went on to explain that Morgan Gabehart has left the District for another job. Morgan was a good employee who worked hard and always did a good job she will be missed by everyone. AT this time it was discussed to go into executive session, but was put off until end of meeting.

Sewer Report: General Manager Stone reported that Assistant Sewer Plant Operator Steven Breeding has been at training and certification classes and has obtained his Class II Wastewater Operator license. As standard procedure he will receive a \$.50 raise with the presentation of his

license. Mr. Stone then gave the number of customers, revenues collected, payroll totals, inches of rain and gallons treated. He reported maintenance and load collected from drying beds, jetting of lines.

Water Report: General Manager Stone reported the number of customers, revenues, gallons of water, and payroll for distribution. He went over gallons treated and finished at the water plant and payroll totals. He discussed maintenance work; lines and valves located for construction, the service department concentrated on clean up with the dry weather and plan to work on Horse feather lane next.

New Business

A: Security System. General Manager Stone let the board know he and Office Manager Jennifer Carter looked at several security systems and decided that Silent Guard had the best to offer for our needs. They have to order the majority of the items, but some they had in stock and should be installing them within the next week or so.

B: Fixed Base System. General Manager Stone let the Board know that he and Jennifer haven't been able to look at the system because of the staff shortage in the front office.

C: Closing. General Manager Stone let the Board know that the office will be closed on Monday, May 26, 2014 for Memorial Day.

At this time Commissioner Tim Baker made a motion to go into executive session under KRS 61.810 (f) which was seconded by Commissioner Barry Stotts and unanimously passed.

Commissioner Rudy Higginbotham made a motion to come out of executive session which was seconded by Commissioner David Jones and unanimously passed.

General Manager Lenny Stone let the Board know after interviewing 16 candidates and calling back 3 for a second interview he recommends hiring Amanda Moss at \$7.50/hour with a 90 day probation period then raise her to \$8.00 depending upon a negative drug test and positive background check. Commissioner Rudy Higginbotham made a motion to go with General Manager Stone's recommendation which was seconded by Commissioner David Jones and unanimously passed.

Being no further business brought before the Board, Commissioner David Jones made a motion to adjourn the meeting which was seconded by Commissioner Rudy Higginbotham and unanimously passed

Minutes Submitted by Jennifer Carter

**KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board**

**Meeting Date/Location: November 1, 2012 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort**

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Jamie Link, Finance and Administration Cabinet
(permanent proxy for Secretary Lori H. Flanery, FAC)
Mr. George Burgess, Economic Development Cabinet
(proxy for Secretary Larry Hayes, EDC)
Ms. Lona Brewer, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Jerry Wuetcher, Public Service Commission
(permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. Damon Talley, representing the Kentucky Rural Water Association
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Members absent:

Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties

Guests:

Mr. Shafiq Amawi, Division of Water
Mr. Chris Brewer, Barbourville Utility Commission
Mr. Josh Nacey, Legislative Research Commission
Mr. Roger Recktenwald, Kentucky Association of Counties
Ms. Jennifer Kantner, Office of Financial Management
Mr. David Bowles, Monarch Engineering
Mr. Lenny Stone, Columbia Adair Utilities District

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Chair Wilder asked board members and guests to introduce themselves. He noted that a quorum was present and that the press had been notified regarding the meeting.

Mr. Rusty Anderson, KIA, made maps available for viewing via the Water Resource Information System (WRIS) which showed an overview of the water and sewer projects that were to be considered at this board meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of August 2, 2012

Mr. Damon Talley moved to approve the minutes of the August 2, 2012 regular board meeting. Mr. Ron Lovan seconded, and the motion carried unanimously.

Chair Tony Wilder introduced and welcomed Mr. Marty Ivy as the new board member representing the Kentucky Municipal Utilities Association.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND A LOAN (A12-09) INCREASING THE AMOUNT TO \$6,800,000 TO THE CITY OF BARBOURVILLE, KNOX COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Barbourville for the benefit of the Barbourville Utility Commission requested a \$1,148,730 increase to the previously approved Fund A loan of \$5,651,270 for a total revised loan amount of \$6,800,000, for the Wastewater Treatment Plant Upgrade – Phase I project. Design changes resulted in the addition of a new blower, electrical building along with infrastructure, additional costs for removal and installation of clarifier equipment in the existing clarifier tank, thicker concrete walls due to wet soil conditions near the lagoons, and a change to a liquid lime feed system instead of a dry feed system. The project will not be reported for Green Project Reserve funding. The project qualified for additional subsidization in the amount of \$1,200,000. The terms from the original board approval will be retained. The revised unforgiven balance of the loan is \$5,600,000 to be repaid in 20 years with an interest rate of 1% and a revised estimated annual debt service payment of \$320,830. As a part of the original loan approval the City was required to do a series of rate increases and those rate increases were approved in May 2012. The first rate increase was implemented in May 2012, an additional rate increase was implemented in July 2012 and there will be additional required rate increases that will happen at the beginning of each fiscal year, July 2013 and July 2014. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund A (A12-09) increase resolution with the standard conditions. Mr. Damon Talley seconded, and the motion carried unanimously.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING

WATER REVOLVING FUND (F12-04) LOAN IN THE AMOUNT OF \$4,000,000 TO THE ADAIR COUNTY WATER DISTRICT d/b/a COLUMBIA/ADAIR UTILITIES DISTRICT, ADAIR COUNTY, KENTUCKY

Mr. Damon Talley disclosed that he is serving as Special Counsel for the Adair County Water District for the purpose of merging the Columbia/Adair County Water Commission and the Water District. Therefore, he would not be participating in the discussion involving any of the matters concerning the Water District and would be abstaining from voting. He then left the board room and did not return until after the vote was taken.

Mr. Shafiq Amawi, DOW, and Ms Sandy Williams, KIA, presented the project to the Board. The Adair County Water District d/b/a Columbia/Adair Utilities District (District) requested a \$4,000,000 Fund F loan for Phase 1 of the Downtown System Improvements project. The project consists of the installation of approximately 5,400 linear feet (LF) of eight inch and 38,000 LF of six inch waterline to replace existing undersized and asbestos-cement water lines in the Tutt Street Area, the Longhunters Subdivision in the KY Highway 80 East Area and other areas in downtown Columbia. The waterline replacements will affect approximately 1,200 existing customers of which approximately 420 will also have their meters replaced with radio read meters. Under the 2011 Capitalization Grant Equivalencies the project qualified for Green Project Reserve funding in the amount of \$4,243,800, under the category of Water Efficiency. The project qualified for additional subsidization in the amount of \$1,400,000. The District is aware and the analysis projected that sewer rates would be increased prior to the beginning of 2014 to offset the existing expense deficit which is estimated at about \$90,000. The unforgiven balance of the loan is \$2,600,000 to be repaid in 30 years with an interest rate of 0.75% and an estimated annual debt service payment of \$103,444. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund F (F12-04) resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously with Mr. Damon Talley and Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to the fact that the matter will have to come before the PSC for approval.

3. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F06-01) BY THE ADAIR COUNTY WATER DISTRICT d/b/a COLUMBIA/ADAIR UTILITIES DISTRICT, ADAIR COUNTY, KENTUCKY**

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F10-02) BY THE ADAIR COUNTY WATER DISTRICT d/b/a COLUMBIA/ADAIR UTILITIES DISTRICT, ADAIR COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the assumptions to the board. The Adair County Water District d/b/a Columbia Adair Utilities District requested to assume \$5,382,821.66 in outstanding Drinking Water State Revolving Fund debt (F06-01, \$3,688,822; and F10-02, \$1,694,000) of the Columbia/Adair County Water Commission in anticipation of the merger of the Commission's assets into the District. The merger is expected to close in late 2012 or early 2013. KIA staff recommended approval of the loan assumptions with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund F (F06-01) assumption resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously with Mr. Damon Talley and Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to the fact that the matter will have to come before the PSC for approval.

Ms. Linda Bridwell moved to approve the Fund F (F10-02) assumption resolution with the standard conditions. Mr. Jamie Link seconded, and the motion carried unanimously with Mr. Damon Talley and Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to the fact that the matter will have to come before the PSC for approval.

At this time, Mr. Damon Talley returned to the board room.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under this resolution:

APPLICANT	FUND	AMOUNT
City of Barbourville (Increase)	A12-09	\$ 6,800,000
City of Flatwoods (10% Increase)	B11-04	\$ 634,500
Bullock Pen Water District (10% Increase)	F11-05	\$ 1,796,300
Adair County Water District d/b/a Columbia/Adair Utilities District	F12-04	\$ 4,000,000

Ms. Linda Bridwell moved to approve the resolution. Mr. George Burgess seconded, and the motion carried unanimously.

Mr. John Covington addressed the importance of the Resolution to Reimburse Capital Expenditures and how it has served the Board well.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. John Covington, KIA, reported on the following items to the Board:

- A. There was no board meeting in September or October because there were no projects that needed to be presented for board action. That is a result of the funding cycle that KIA operates under in which invitations for new projects had been sent but no applications had yet been received.
- B. Mr. Covington gave an update on the Oldham County Environmental Authority Orchard Grass Regional Wastewater Treatment Plant project. The project was tabled in June and the Board requested that the progress in the project and discussions be reported back to them. Mr. Covington has had conversations with Oldham County, the Division of Water, and Mr. Greg Heitzman. There are continued discussions between all of the parties and there is a scheduled meeting next week with DOW and Oldham County. The project is still on the table and Mr. Covington felt it was premature to bring it back to the Board at this time. As soon as there is additional information, then KIA staff will report back. Mr. Covington stated there are needs in Oldham County and the issue is how to address those needs.
- C. The Call for Projects for the 2014 funding cycle is open. It was opened October 1 and will close December 15, 2012. Once closed, the Division of Water will be given the list of projects and will rank them to be included in the 2014 IUP which should tentatively be out in May or June 2013.
- D. The 2013 IUP is final and is on KIA's website which includes the list of ranked projects. The invitations were sent and meetings with the borrowers were conducted this week to prepare them for the SRF process. Mr. Covington stated there are some complications this year. For the Drinking Water SRF, there are funds leftover from the initial round of invitations so there will be a second round of invitations. For the Clean Water SRF, there are more requests for funds than funds available. KIA staff is looking at other options for funding. KIA did not get authorization to issue leverage bonds in this biennium, but KIA does have the authorization to issue Fund C bonds; therefore staff may be looking at ways of utilizing the Fund C program to fund some of those projects or other ways of raising additional funds in the Fund C program to address the need. KIA staff has contacted the Office of Financial Management and the State Budget Director's Office and discussions are very preliminary at this point.

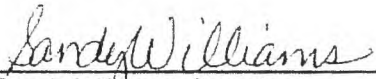
III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

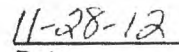
- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, December 6, 2012
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Ms. Linda Bridwell moved to adjourn. Mr. George Burgess seconded and the motion carried unanimously. The November 1, 2012, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Sandy Williams, Secretary
Kentucky Infrastructure Authority



Date



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

November 29, 2012

VIA EMAIL

The Honorable Robert Flowers, Chairman
Adair County Water District dba Columbia / Adair Utilities District
109 Grant Lane, PO Box 567
Columbia, Kentucky 42728

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F12-04)
REVISED**

Dear Chairman Flowers:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On November 1, 2012, the Authority approved your loan for the Downtown Water System Improvements project subject to the conditions stated below. The total cost of the project shall not exceed \$4,000,000 of which the Authority loan shall provide \$4,000,000 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Adair County Water District dba Columbia / Adair Utilities District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (11/2/2013) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$4,000,000.
2. The loan shall contain principal forgiveness in the amount of 35%. Actual amortized loan and forgiveness amounts will be based on actual project costs drawn from the Authority.
3. The loan shall bear interest at the rate of 0.75% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 30 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the

Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be performed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

The following is a list of additional conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Borrower shall require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project. The Borrower shall, if applicable, comply with all Davis Bacon related monitoring and reporting.
2. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
3. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Chairman Robert Flowers
November 29, 2012
Page 5

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

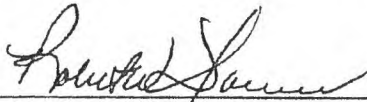


Sandy Williams
Financial Analyst

Attachments

cc: Lennon Stone, Adair County Water District dba Columbia / Adair Utilities District
David Bowles, PE, Monarch Engineering, Inc.
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - Adair County Water District dba Columbia / Adair Utilities District -
F12-04

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.



Accepted

11-30-12

Date

ATTACHMENT A

**Adair County Water District dba Columbia / Adair Utilities District
F12-04**

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND F, FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND	Reviewer Date KIA Loan Number WRIS Number	Sandy Williams November 1, 2012 F12-04 WX21001024
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BORROWER	ADAIR COUNTY WATER DISTRICT DBA COLUMBIA / ADAIR UTILITIES DISTRICT ADAIR COUNTY
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BRIEF DESCRIPTION

This project consists of the installation of approximately 5,400 linear feet (LF) of eight inch and 38,000 LF of six inch waterline to replace existing undersized and asbestos-cement water lines in the Tutt Street Area, the Longhunters Subdivision in the KY Highway 80 East Area and other areas in downtown Columbia. The waterline replacements will affect approximately 1,200 existing customers of which approximately 420 will also have their meters replaced with radio read meters.

PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund F Loan	\$4,000,000	Legal Expenses			30,000
		Eng - Design	7.0%	6.7%	239,000
		Eng - Constr / Insp	3.8%	3.7%	131,000
		Eng - Other			30,000
		Construction			3,243,800
		Contingency			326,200
TOTAL	\$4,000,000	TOTAL			\$4,000,000

REPAYMENT	Rate	0.75%	Est. Annual Payment	\$103,444
	Term	30 years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer	Monarch Engineering, Inc.
	Bond Counsel	Peck, Shaffer, & Williams

PROJECT SCHEDULE	Bid Opening	May-13
	Construction Start	Jul-13
	Construction Stop	May-14

DEBT PER CUSTOMER	Existing	\$2,818
	Proposed	\$3,479

OTHER DEBT See Attached

OTHER STATE-FUNDED PROJECTS LAST 5 YRS See Attached

RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	7,602	\$33.90 (for 4,000 gallons)
	Additional	0	\$33.90 (for 4,000 gallons)

REGIONAL COORDINATION This project is consistent with regional planning recommendations.

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Pro Forma 2011	775,955	1,046,445	(270,490)	0.7
Projected 2012	1,486,679	1,132,381	354,318	1.3
Projected 2013	1,485,450	1,413,983	71,467	1.1
Projected 2014	1,648,150	1,578,349	69,801	1.0
Projected 2015	1,696,350	1,626,876	69,474	1.0
Projected 2016	1,669,250	1,691,672	(22,422)	1.0
Projected 2017	1,722,050	1,652,831	69,219	1.0

Reviewer: Sandy Williams
Date: November 1, 2012
Loan Number: F12-04

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
ADAIR COUNTY WATER DISTRICT dba COLUMBIA / ADAIR UTILITIES DISTRICT
ADAIR COUNTY
PROJECT REVIEW
WX21001024**

I. PROJECT DESCRIPTION

The Adair County Water District dba Columbia / Adair Utilities District (District) is requesting a Fund "F" loan for \$4,000,000 for Phase 1 of the Downtown System Improvements project. The project consists of the installation of approximately 5,400 linear feet (LF) of eight inch and 38,000 LF of six inch waterline to replace existing undersized and asbestos-cement water lines in the Tutt Street Area, the Longhunters Subdivision in the KY Highway 80 East Area and other areas in downtown Columbia. The waterline replacements will affect approximately 1,200 existing customers of which approximately 420 will also have their meters replaced with radio read meters.

The District is regulated by the Public Service Commission, serves all of Adair County and has approximately 7,600 water customers of which 1,600 within the City of Columbia are also sewer customers. In July 2011 the City of Columbia's sewer and water operations were merged into the District. Completion of a merger of the Columbia / Adair County Water Commission into the District is expected in late 2012 or early 2013. The District has operated the Commission's water treatment plant under a negotiated agreement since January 2011.

II. PROJECT BUDGET

	<u>Total</u>
Legal Expenses	30,000
Engineering Fees - Design	239,000
Engineering Fees - Const / Inspection	131,000
Engineering Fees - Other	30,000
Construction	3,243,800
Contingency	<u>326,200</u>
Total	\$ 4,000,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 4,000,000	100%
Total	\$ 4,000,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 4,000,000
Less: Principal Forgiveness (35%)	<u>1,400,000</u>
Amortized Loan Amount	\$ 2,600,000
Interest Rate	0.75%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 96,944
Administrative Fee (0.25%)	<u>6,500</u>
Total Estimated Annual Debt Service	\$ 103,444

V. PROJECT SCHEDULE

Bid Opening	May 2013
Construction Start	July 2013
Construction Stop	May 2014

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A. Customers

	<u>Current</u>
Residential	7,448
Commercial	<u>154</u>
	7,602

B. Rate Structure

	<u>City</u>	<u>Previous</u>
Date of Last Rate Increase	02/03/12	11/01/09
Minimum (First 2,000 gallons)	\$19.90	\$15.35
Next 3,000 gallons (000s)	7.00	5.75
Next 5,000 gallons (000s)	6.25	5.00
Next 15,000 gallons (000s)	5.20	3.90
All over 25,000 gallons (000s)	4.45	3.15
Cost for 4,000 gallons	\$33.90	\$26.85
% Increase from Previous	26.3%	2.3%
Affordability Index (Rate/MHI)	1.4%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the County's population was 18,542 with a Median Household Income

(MHI) of \$29,834. The median household income for the Commonwealth is \$41,576. The project will qualify for a .75% interest rate.

VIII. 2011 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve (GPR) funding for \$3,243,800. The breakdown of the GPR to the respective "green" categories is listed below:
 - a. Green Infrastructure - \$0
 - b. Water Efficiency - \$3,243,800
 - c. Energy Efficiency - \$0
 - d. Environmentally Innovative - \$0
- 2) Additional Subsidization – This project qualifies for additional subsidization in the amount of \$1,400,000.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Pro forma financial information is presented to show the combined financial structure of the District and the Commission. We could not obtain sufficient information from the audits for the District, the City and the Commission to eliminate transactions between them to prepare a meaningful pro-forma historical analysis for years prior to 2011. Financial information for the District and the Commission was obtained from their audited financial statements. Amounts were estimated for the City (their audit was incomplete) for the portion of 2011 that they still owned the sewer and water utilities.

On May 3, 2010, the District entered into an asset purchase agreement to acquire the water and sewer systems from the City of Columbia. The District operated the system under a lease arrangement until the July 21, 2011 merging closing date.

On December 9, 2010, the District and the Columbia / Adair County Water Commission entered into an agreement to merge operations. The District will be the surviving entity after the merger with the Commission. Completion of the merger is anticipated in late 2012 or early 2013. Prior to their merger, the District and the City of Columbia were the only customers of the Commission.

PRO FORMA 2011

Revenues were \$3.6 million in 2011. Water and sewer revenues were \$2.9 million and \$600 thousand, respectively. Other revenues were \$100 thousand. Customer growth averages about 1% per year. Water rates increased 26% in February 2012 which will increase revenues about \$750,000 per year. The increase is primarily to support several capital projects that are in process. Water and sewer operating expenses in 2011 were \$2.2 million and \$600 thousand, respectively, for a total of \$2.8 million. The debt coverage ratio was 0.7 with negative cash flow from operations of \$270 thousand. The sewer operation had about \$174 thousand unfavorable cash flow after debt service while the water operation was \$96 thousand unfavorable.

The balance sheet reflects a current ratio of 0.4, debt to equity of 0.9, days sales in accounts receivable of 30 and one month of operating expenses in unrestricted cash. Reserves are maintained for bond sinking funds, depreciation / repairs and customer deposits.

PROJECTED

Projections are based on the following assumptions:

- 1) Revenues assume customer growth of 1.0% per year and periodic rate increases to offset inflation.
- 2) Sewer rates will be increased prior to the beginning of 2014 to offset the existing expense deficit which is estimated at about \$90,000.
- 3) Expenses will increase 2.5% annually for inflation.
- 4) The cash flow forecast does not assume any additional debt service beyond this proposed loan, previously approved KIA loans and two RD loans (\$595,000 and \$1.2 million) for both District and Commission projects that were in process at the end of 2011.
- 5) A replacement reserve of \$10,000 (on this loan) will be funded annually for ten years.
- 6) Debt service on the new KIA loan will be \$103,444 beginning in 2014.

Debt service coverage is 1.0 in 2015 which represents the first full year of full principal and interest repayments on the loan. Based on the proforma assumptions, the utility shows adequate cash flow to repay the proposed loan.

REPLACEMENT RESERVE

The annual replacement cost is \$10,000. This amount should be added to the replacement account each December 1 until the balance reaches \$100,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>	<u>Borrower</u>
1974 Waterworks Revenue Bond	\$ 12,000	2014	District
1975 Waterworks Revenue Bond	22,000	2015	District
1977 Water District Revenue Bond	250,000	2016	District
1978 Waterworks Revenue Bond	138,000	2018	District
1985 Water District Revenue Bond	790,000	2025	District
1988 Revenue Bond Series A	530,955	2028	District
1988 Revenue Bond Series B	131,788	2028	District
1989 Water District Revenue Bond	115,000	2022	District
1992 Water District Revenue Bond	567,000	2032	District
1995 Water District Revenue Bond	344,000	2035	District
1995 Revenue Bond	99,900	2034	District
1998 Water District Revenue Bond	364,000	2035	District

	Outstanding	Maturity	Borrower
2000 Revenue Bond	444,700	2040	District
2003 Water District Revenue Bond	574,500	2042	District
2004 Revenue Bond	459,000	2043	District
2005 Water District Revenue Bond	1,152,000	2045	District
2007 Water District Revenue Bond	726,000	2046	District
2008 Revenue Bond	112,300	2047	District
2009 Water District Revenue Bond	1,100,000	2050	District
KIA (F07-01)	862,417	2028	District
Interim Financing - Local Bank	2,281,485	TBD	District
Short Term Debt - Local Bank	225,000	TBD	District
Short Term Debt - Local Bank	50,000	TBD	District
2006 Waterworks Revenue Bond	3,333,000	2045	Commission
2008 Waterworks Revenue Bond	296,800	2048	Commission
KIA (F06-01)	3,794,878	2028	Commission
KIA (F10-02)	1,679,765	2031	Commission
Interim Financing - Local Bank	963,759	TBD	Commission
KIA (F10-01, \$4.0M)	0	2032	District
KIA (F11-10, \$0.9M)	0	TBD	District
Rural Development ({F11-10}, \$0.595M)	0	TBD	District
Rural Development ({F10-02}, \$1.2M)	0	TBD	Commission
Total	\$21,420,247		

XI. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount	Type
Shepherd Water System	HB380 (2006)	1,000,000	Grant
Shepherd Water System	USDA	550,000	Grant
Columbia Bypass and Tank	USDA	608,000	Grant
Columbia Bypass and Tank	HB608 (2008)	1,225,000	Grant
Columbia Bypass and Tank	EDA	1,500,000	Grant

XII. CONTACTS

Legal Applicant	
Name	Adair County Water District dba Columbia / Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, Kentucky 42728
County	Adair
Authorized Official	Danny Downey (Chairman)
Phone	(270) 384-2181
Email	Danny.Downey@caud.net

Project Administrator	
Name	Adair County Water District dba Columbia / Adair Utilities District
Address	109 Grant Lane, PO Box 567 Columbia, Kentucky 42728
Contact	Lennon Stone
Phone	(270) 384-2181
Email	lenny.stone@caud.net

Consulting Engineer	
Name	David Bowles, PE
Firm	Monarch Engineering, Inc.
Address	556 Carlton Dr Lawrenceburg, KY 40342
Phone	(502) 839-1310
Email	dbowles@monarchengineering.net

XIII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

ADAIR COUNTY WATER DISTRICT DBA COLUMBIA / ADAIR UTILITIES DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)

	Pro Forma 2011	Projected 2012	Projected 2013	Upon Completion 2014
ASSETS				
<i>Current Assets</i>				
Cash	190,215	544,533	616,000	685,801
Accounts Receivable	294,509	352,600	356,900	377,500
Inventory	179,916	180,000	180,000	180,000
Prepaid	8,659	8,500	8,500	8,500
Other Current Assets	33,431	0	0	0
Total Current Assets	706,730	1,085,633	1,161,400	1,251,801
<i>Restricted Assets</i>				
Investments	1,105,006	1,207,261	1,210,412	1,215,412
Repair and Replacement Reserve (KIA)	0	36,800	87,850	156,400
Total Restricted Assets	1,105,006	1,244,061	1,298,262	1,371,812
<i>Utility Plant</i>				
Land, System, Building and Equipment	62,026,424	67,053,665	70,607,665	74,607,665
Less Accumulated Depreciation ()	(15,341,947)	(16,931,947)	(18,761,947)	(20,701,947)
Net Fixed Assets	46,684,477	50,121,718	51,845,718	53,905,718
Total Assets	48,496,213	52,451,412	54,305,380	56,529,331
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	202,289	260,000	250,000	250,000
Customer Deposits	34,586	35,000	35,000	35,000
Current Portion Long Term Debt	564,289	620,927	650,928	666,365
Notes Payable	425,000	225,000	225,000	225,000
Deferred Credit	398,593	398,593	398,593	398,593
Other	73,618	67,300	67,300	67,300
Interest Payable	310,023	86,000	84,000	80,000
Total Current Liabilities	2,008,398	1,692,820	1,710,821	1,722,258
<i>Long Term Liabilities</i>				
Notes and Bonds Payable	17,335,714	16,714,787	16,063,859	15,397,494
Notes Payable - KIA	0	4,000,000	4,900,000	7,500,000
Notes Payable - RD	0	2,659,000	2,659,000	2,659,000
Interim Financing	3,095,244	0	0	0
Total Long Term Liabilities	20,430,958	23,373,787	23,622,859	25,556,494
Total Liabilities	22,439,356	25,066,607	25,333,680	27,278,752
<i>Retained Earnings:</i>				
Invested in Capital Assets Net of Related Debt	25,040,132	25,816,004	27,262,931	27,377,859
Restricted	1,105,006	1,244,061	1,298,262	1,371,812
Unrestricted	(88,281)	324,740	410,507	500,908
Total Retained Earnings	26,056,857	27,384,805	28,971,700	29,250,579
Total Liabilities and Equities	48,496,213	52,451,412	54,305,380	56,529,331
Balance Sheet Analysis				
Current Ratio	0.4	0.6	0.7	0.7
Debt to Equity	0.9	0.9	0.9	0.9
Days Sales in Accounts Receivable	30.0	30.0	30.0	30.0

EXHIBIT 1

ADAIR COUNTY WATER DISTRICT DBA COLUMBIA / ADAIR UTILITIES DISTRICT
CASH FLOW ANALYSIS (DECEMBER YEAR END)

	Pro Forma 2011	% Change	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues								
Water Service Charges	2,859,851	25%	3,581,742	3,618,000	3,654,200	3,877,800	3,916,600	4,034,100
Sewer Service Charges	584,995	-1%	578,633	584,400	683,700	690,500	697,400	704,400
Other	143,668		130,000	140,000	141,400	145,600	147,100	151,500
	0		0	0	114,000	0	0	0
Total Revenues	3,588,514	20%	4,290,375	4,342,400	4,593,300	4,713,900	4,761,100	4,890,000
Operating Expenses								
Purchased Water	0	0%	0	0	0	0	0	0
Water Expenses	2,223,323	3%	2,288,896	2,315,400	2,373,300	2,432,600	2,493,400	2,555,700
Sewer Expenses	596,457	-16%	500,000	512,500	525,300	538,400	551,900	565,700
Depreciation	1,727,727	16%	2,000,000	1,830,000	1,940,000	2,065,000	2,065,000	2,065,000
Replacement Reserve	36,800		36,800	51,050	68,550	68,550	68,550	68,550
Total Expenses	4,584,307	5%	4,825,696	4,708,950	4,907,150	5,104,550	5,178,850	5,254,950
Net Operating Income	(995,793)	-48%	(535,321)	(366,550)	(313,850)	(390,650)	(417,750)	(364,950)
Non-Operating Income and Expenses								
Interest Income	8,197	-76%	2,000	2,000	2,000	2,000	2,000	2,000
Lease (Operating Agreement - Columbia)	0		0	0	0	0	0	0
Lease (Operating Agreement - CACWC)	0		0	0	0	0	0	0
Other	35,824		20,000	20,000	20,000	20,000	20,000	20,000
Total Non-Operating Income & Expenses	44,021	-50%	22,000	22,000	22,000	22,000	22,000	22,000
Add Non-Cash Expenses								
Depreciation	1,727,727	16%	2,000,000	1,830,000	1,940,000	2,065,000	2,065,000	2,065,000
Cash Available for Debt Service	775,955	92%	1,486,679	1,485,450	1,648,150	1,696,350	1,669,250	1,722,050
Debt Service (enter as positive #s)								
Existing Debt	1,046,445		1,132,361	1,182,819	1,194,951	1,191,756	1,185,841	1,147,000
KIA (F10-01) (District)	0		0	231,164	231,164	231,164	231,164	231,164
KIA (F11-10) (District)	0		0	0	52,012	52,012	52,012	52,012
RD (F11-10) (District)	0		0	0	0	0	70,711	70,711
KIA (F10-02) (Commission)	0		0	0	0	0	0	0
RD (F10-02) (Commission)	0		0	0	48,500	48,500	48,500	48,500
Proposed Loan (F12-04) - Downtown	0		0	0	51,722	103,444	103,444	103,444
Total Debt Service	1,046,445		1,132,361	1,413,983	1,578,349	1,626,876	1,691,872	1,652,831
Income After Debt Service	(270,490)		354,318	71,467	69,801	69,474	(22,422)	69,219
Debt Coverage Ratio	0.7		1.3	1.1	1.0	1.0	1.0	1.0